

CITY OF WALTON

WALTON, KANSAS

Special Financial Statements

December 31, 2009

City of Walton, Kansas

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December 31, 2009

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Knudsen Monroe & Company LLC

INDEPENDENT AUDITOR'S REPORT

City Council
City of Walton
Walton, Kansas

We have audited the accompanying financial statements of the individual funds of the City of Walton, Kansas, as of and for the year ended December 31, 2009, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year partial comparative financial information has been derived from the City's 2008 financial statements and, in our report dated August 31, 2010, we expressed an unqualified opinion on the financial statements taken as a whole.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the *Kansas Municipal Audit Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the City has prepared these financial statements in conformity with the accounting practices prescribed by the State of Kansas to demonstrate compliance with the cash basis and budget laws of the State of Kansas, which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, is presumed to be material.

In our opinion, because of the City's policy to prepare its financial statements on the basis of accounting discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City of Walton, Kansas, as of December 31, 2009, or the results of its operations for the year then ended.

However, in our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of the City of Walton, Kansas, as of December 31, 2009, and its cash receipts and expenditures for the year then ended on the basis of accounting described in Note 1.

Knudsen, Monroe & Company, LLC

Certified Public Accountants

August 31, 2010

City of Walton, Kansas

SUMMARY OF CASH RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH

Year ended December 31, 2009

Funds	Unencumbered		Unencumbered		Unencumbered	
	Cash Balance 12-31-08	Receipts	Expenditures	Cash Balance 12-31-09	Encumbrances	Cash Balance 12-31-09
General	\$ 2,240	185,592	185,304	2,528	4,776	7,304
Special revenue						
Library	2,626	2,775	2,092	3,309	-	3,309
Special street and highway	14,039	29,644	27,735	15,948	-	15,948
Capital improvement	4,847	-	-	4,847	-	4,847
Debt service						
Bond and interest	-	16,767	16,759	8	-	8
Capital project						
Orphan dump project	-	100,260	98,944	1,316	-	1,316
Enterprise						
Water operating	159	80,178	77,118	3,219	-	3,219
Sewer operating	9,615	33,618	31,573	11,660	-	11,660
Stormwater utility operating	-	4,506	-	4,506	-	4,506
Gas						
Operating	(2,121)	115,610	100,297	13,192	566	13,758
Depreciation	3,200	-	-	3,200	-	3,200
Total Primary Government	34,605	568,950	539,822	63,733	5,342	69,075
Component unit						
Walton Community Library	3,773	6,226	6,096	3,903	-	3,903
Total Reporting Entity	\$ 38,378	575,176	545,918	67,636	5,342	72,978

Composition of Cash

Walton State Bank, Walton, Kansas	\$ 46,633
Checking account	22,067
Time deposits	375
Petty cash and other	69,075
Total primary government	3,903
Checking account-component unit	\$ 72,978
Total reporting entity	

See notes to financial statements

City of Walton, Kansas
SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET
Year ended December 31, 2009

<u>Funds</u>	<u>Certified Budget</u>	<u>Adjustments for Qualifying Budget Credits</u>	<u>Total Budget for Comparison</u>	<u>Expenditures Chargeable to Current Year</u>	<u>Variance - Over (Under)</u>
General	\$ 202,823	7,499	210,322	185,304	(25,018)
Special Revenue					
Library	3,017	-	3,017	2,092	(925)
Special street and highway	47,672	-	47,672	27,735	(19,937)
Debt Service					
Bond and interest	16,854	-	16,854	16,759	(95)
Enterprise					
Water operating	86,575	-	86,575	77,118	(9,457)
Sewer operating	38,688	-	38,688	31,573	(7,115)
Stormwater utility operating	4,800	-	4,800	-	(4,800)
Gas operating	<u>113,834</u>	<u>-</u>	<u>113,834</u>	<u>100,297</u>	<u>(13,537)</u>
Expenditures subject to budget	<u>\$ 514,263</u>	<u>7,499</u>	<u>521,762</u>	440,878	<u>(80,884)</u>
Expenditures not subject to budget				<u>98,944</u>	
Total primary government expenditures				<u>\$ 539,822</u>	

City of Walton, Kansas

General Fund

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2009

(With comparative actual amounts for the year ended December 31, 2008)

	2008 Actual	2009		Variance - Over (Under)
		Actual	Budget	
RECEIPTS				
Ad valorem property tax	\$ 45,793	45,594	46,485	(891)
Delinquent tax	2,615	4,095	-	4,095
Vehicle tax	6,658	8,998	9,518	(520)
Sales tax - County	35,057	30,857	38,500	(7,643)
Franchise fees	18,359	21,446	21,674	(228)
Refuse	16,223	16,766	16,000	766
Permits	1,403	1,130	1,500	(370)
Court fines and fees	52,536	36,578	42,000	(5,422)
Interest	1,024	1,979	700	1,279
Reimbursements	8,983	7,499	7,500	(1)
Other	11,904	10,650	13,500	(2,850)
	200,555	185,592	197,377	(11,785)
EXPENDITURES, Page 5	198,393	185,304		
Receipts over (under) expenditures	2,162	288		
UNENCUMBERED CASH, beginning	78	2,240		
UNENCUMBERED CASH, ending	\$ 2,240	2,528		

City of Walton, Kansas

General Fund

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2009

(With comparative actual amounts for the year ended December 31, 2008)

	2008 Actual	2009		Variance - Over (Under)
		Actual	Budget	
EXPENDITURES				
Personal services	\$ 32,423	14,515	39,570	(25,055)
Contractual	28,455	29,855	16,109	13,746
Commodities	2,063	1,448	2,600	(1,152)
Capital outlay	1,278	7,713	1,300	6,413
Street lights	3,754	4,426	7,000	(2,574)
Refuse	15,476	18,548	14,039	4,509
Streets	11,921	2,006	7,000	(4,994)
Animal control/parks	4,203	3,315	9,429	(6,114)
Continuing education and dues	3,414	1,903	1,310	593
Library	500	500	5,000	(4,500)
Building inspection	-	-	700	(700)
Law enforcement				
Personal services	48,975	57,462	49,726	7,736
Other	10,921	14,149	12,878	1,271
Municipal Court	14,819	11,544	16,162	(4,618)
Other	9,191	12,920	-	12,920
Transfer to other funds	11,000	5,000	20,000	(15,000)
	198,393	185,304	202,823	(17,519)
Adjustment for budget credits	-	-	7,499	(7,499)
Total expenditures	\$ 198,393	185,304	210,322	(25,018)

City of Walton, Kansas
Special Revenue Funds

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2009

(With comparative actual amounts for the year ended December 31, 2008)

		2009		
	2008			Variance -
	Actual	Actual	Budget	Over
				(Under)
<u>LIBRARY FUND</u>				
RECEIPTS				
Ad valorem property tax	\$ 2,168	2,102	2,220	(118)
Delinquent tax	178	239	200	39
Vehicle tax	448	434	597	(163)
	<u>2,794</u>	<u>2,775</u>	<u>3,017</u>	<u>(242)</u>
EXPENDITURES				
Appropriations to Library Board	<u>2,711</u>	<u>2,092</u>	<u>3,017</u>	<u>(925)</u>
Receipts over (under) expenditures	83	683		
UNENCUMBERED CASH, beginning	<u>2,543</u>	<u>2,626</u>		
UNENCUMBERED CASH, ending	<u>\$ 2,626</u>	<u>3,309</u>		
<u>SPECIAL STREET & HIGHWAY FUND</u>				
RECEIPTS				
State payments	\$ 8,298	7,225	8,620	(1,395)
Local sales tax	15,000	17,419	15,000	2,419
Reimbursed expenses	4,303	-	-	-
Transfer from other funds	<u>11,000</u>	<u>5,000</u>	<u>17,000</u>	<u>(12,000)</u>
	<u>38,601</u>	<u>29,644</u>	<u>40,620</u>	<u>(10,976)</u>
EXPENDITURES				
Contractual services	3,858	9,802	-	9,802
Commodities	21,142	17,933	40,672	(22,739)
Transfer to other funds	<u>-</u>	<u>-</u>	<u>7,000</u>	<u>(7,000)</u>
	<u>25,000</u>	<u>27,735</u>	<u>47,672</u>	<u>(19,937)</u>
Receipts over (under) expenditures	13,601	1,909		
UNENCUMBERED CASH, beginning	<u>438</u>	<u>14,039</u>		
UNENCUMBERED CASH, ending	<u>\$ 14,039</u>	<u>15,948</u>		

City of Walton, Kansas

Special Revenue Funds

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2009

(With comparative actual amounts for the year ended December 31, 2008)

		2009		
	2008			Variance -
	Actual	Actual	Budget	Over
				(Under)
<u>CAPITAL IMPROVEMENT FUND</u>				
RECEIPTS				
Transfer from other funds	\$ 4,847	-		
EXPENDITURES				
Capital outlay	-	-		NOT APPLICABLE
Receipts over (under) expenditures	4,847	-		
UNENCUMBERED CASH, beginning	-	4,847		
UNENCUMBERED CASH, ending	\$ 4,847	4,847		

City of Walton, Kansas

Debt Service Fund and Capital Project Fund

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2009

(With comparative actual amounts for the year ended December 31, 2008)

		2009		
	2008	Actual	Budget	Variance - Over (Under)
	Actual			
<u>BOND AND INTEREST FUND</u>				
RECEIPTS				
Ad valorem property tax	\$ 4,127	3,853	3,896	(43)
Delinquent tax	478	561	-	561
Vehicle tax	1,099	833	1,471	(638)
Transfer from other funds	8,000	11,520	5,500	6,020
	<u>13,704</u>	<u>16,767</u>	<u>10,867</u>	<u>5,900</u>
EXPENDITURES				
Bond principal	4,000	4,200	4,200	-
Interest	12,485	12,559	12,654	(95)
	<u>16,485</u>	<u>16,759</u>	<u>16,854</u>	<u>(95)</u>
Receipts over (under) expenditures	(2,781)	8		
UNENCUMBERED CASH, beginning	2,781	-		
UNENCUMBERED CASH, ending	<u>\$ -</u>	<u>8</u>		
<u>ORPHAN DUMP PROJECT FUND</u>				
RECEIPTS				
KDHE grant	\$ -	100,260		
EXPENDITURES				
Contracted services	-	98,944	NOT APPLICABLE	
Receipts over (under) expenditures	-	1,316		
UNENCUMBERED CASH, beginning	-	-		
UNENCUMBERED CASH, ending	<u>\$ -</u>	<u>1,316</u>		

City of Walton, Kansas

Enterprise Funds

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2009

(With comparative actual amounts for the year ended December 31, 2008)

		2009		
	2008			Variance -
	Actual	Actual	Budget	Over
				(Under)
<u>WATER OPERATING FUND</u>				
RECEIPTS				
Water sales	\$ 80,429	80,178	85,246	(5,068)
Transfer from other funds	-	-	1,500	(1,500)
	<u>80,429</u>	<u>80,178</u>	<u>86,746</u>	<u>(6,568)</u>
EXPENDITURES				
Personal services	20,528	10,829	8,777	2,052
Contractual services	9,010	11,322	13,123	(1,801)
Commodities and other	1,256	5,167	1,675	3,492
Capital outlay	1,686	1,881	3,000	(1,119)
Water purchases	45,451	45,164	52,000	(6,836)
Franchise fee to city	5,994	2,755	4,000	(1,245)
Transfer to other funds	-	-	4,000	(4,000)
	<u>83,925</u>	<u>77,118</u>	<u>86,575</u>	<u>(9,457)</u>
Receipts over (under) expenditures	(3,496)	3,060		
UNENCUMBERED CASH, beginning	3,655	159		
UNENCUMBERED CASH, ending	<u>\$ 159</u>	<u>3,219</u>		

City of Walton, Kansas

Enterprise Funds

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2009

(With comparative actual amounts for the year ended December 31, 2008)

		2009		Variance -
	2008	Actual	Budget	Over
	Actual			(Under)
<u>SEWER FUND</u>				
RECEIPTS				
Fees	\$ 33,247	33,618	33,484	134
EXPENDITURES				
Personal services	15,886	12,022	3,401	8,621
Contractual services	9,193	6,512	7,600	(1,088)
Commodities and other	361	816	1,550	(734)
Capital outlay	1,758	47	4,463	(4,416)
Franchise fee to city	716	656	1,674	(1,018)
Transfer to other funds	12,847	11,520	20,000	(8,480)
	40,761	31,573	38,688	(7,115)
Receipts over (under) expenditures	(7,514)	2,045		
UNENCUMBERED CASH, beginning	17,129	9,615		
UNENCUMBERED CASH, ending	\$ 9,615	11,660		
<u>STORMWATER UTILITY FUND</u>				
RECEIPTS				
Fees	\$ -	4,506	4,800	(294)
EXPENDITURES				
Drainage maintenance	-	-	4,800	(4,800)
Receipts over (under) expenditures	-	4,506		
UNENCUMBERED CASH, beginning	-	-		
UNENCUMBERED CASH, ending	\$ -	4,506		

City of Walton, Kansas

Enterprise Funds

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2009

(With comparative actual amounts for the year ended December 31, 2008)

		2009		
	2008			Variance -
	Actual	Actual	Budget	Over
				(Under)
<u>GAS OPERATING FUND</u>				
RECEIPTS				
Gas sales and other	\$ 113,469	115,610	112,000	3,610
Transfer from other funds	-	-	1,500	(1,500)
	<u>113,469</u>	<u>115,610</u>	<u>113,500</u>	<u>2,110</u>
EXPENDITURES				
Personal services	13,038	21,812	9,050	12,762
Contractual services	4,527	6,176	8,150	(1,974)
Commodities and other	2,681	3,893	300	3,593
Capital outlay	1,642	283	3,366	(3,083)
Gas purchases	89,579	60,930	79,968	(19,038)
Franchise fee to city	4,253	7,203	8,000	(797)
Transfer to other funds	-	-	5,000	(5,000)
	<u>115,720</u>	<u>100,297</u>	<u>113,834</u>	<u>(13,537)</u>
Receipts over (under) expenditures	(2,251)	15,313		
UNENCUMBERED CASH, beginning	<u>130</u>	<u>(2,121)</u>		
UNENCUMBERED CASH, ending	<u>\$ (2,121)</u>	<u>13,192</u>		
<u>GAS DEPRECIATION FUND</u>				
RECEIPTS				
	\$ -	-		
EXPENDITURES				
	-	-	NOT APPLICABLE	
Receipts over (under) expenditures	-	-		
UNENCUMBERED CASH, beginning	<u>3,200</u>	<u>3,200</u>		
UNENCUMBERED CASH, ending	<u>\$ 3,200</u>	<u>3,200</u>		

City of Walton, Kansas

Component Unit

STATEMENT OF CASH RECEIPTS AND EXPENDITURES

Years ended December 31, 2009 and 2008

<u>WALTON COMMUNITY LIBRARY</u>	<u>2009</u>	<u>2008</u>
RECEIPTS		
Appropriations from city		
General fund	\$ 500	500
Library fund	2,092	2,795
SCKLS and State	3,628	3,850
Other	6	28
	<u>6,226</u>	<u>7,173</u>
EXPENDITURES		
Salaries and employee benefits	2,008	2,251
Books, periodicals, materials	3,131	4,380
Other	957	339
	<u>6,096</u>	<u>6,970</u>
Receipts over (under) expenditures	130	203
UNENCUMBERED CASH, beginning	<u>3,773</u>	<u>3,570</u>
UNENCUMBERED CASH, ending	<u>\$ 3,903</u>	<u>3,773</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The City of Walton is a municipal corporation governed by an elected five-member council. These financial statements present the City of Walton (the primary government) and its component unit. The component unit is included in the City's reporting entity because of the significance of its operational and financial relationship with the City.

Discretely Presented Component Units

The component unit financial statement includes the financial data of the discretely presented component unit. The component unit is reported separately to emphasize that it is legally separate from the City. The governing body of the component unit is appointed by the Walton City council.

Walton Community Library--The Walton Community Library board operates the City's public library. The City makes appropriations to the library to assist in funding capital expenditures and operating expenses.

Basis of Accounting

The statutory basis of accounting, as used in the preparation of these statutory basis financial statements, is designed to demonstrate compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund, and an expenditure would be charged in the fund from which the transfer is made.

The City has approved a resolution that is in conformity with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the City to use the statutory basis of accounting.

Departure from Generally Accepted Accounting Principles

The basis of presentation described above results in a financial statement presentation, which shows cash receipts, expenditures, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown non-cash assets such as receivables, inventories and prepaid expense, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with accounting principles generally accepted in the United States of America. Capital assets that account for the land, buildings and equipment owned by the City are not presented in the financial statements. Also, long-term debt such as general obligation bonds, capital leases, temporary notes, and compensated absences are not presented in the financial statements.

NOTES TO FINANCIAL STATEMENTS

December 31, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in conformity with the basis of accounting described above requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2. FUND DESCRIPTION

In governmental accounting, a fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The following types of funds comprise the financial activities of the City for the year 2009:

Governmental Funds

General Fund--to account for all unrestricted resources except those required to be accounted for in another fund.

Special Revenue Funds--to account for the proceeds of specific revenue sources other than special assessments or major capital projects that are restricted by law or administrative action to expenditure for specified purposes.

Capital Project Funds—to account for financial resources segregated for the acquisition or improvement of capital facilities other than those financed totally by proprietary funds.

Debt Service Fund--to account for the accumulation of resources for, and the payment of, interest and principal on general long-term debt, and the financing of special assessments which are general obligations of the City.

Proprietary Funds

Enterprise Funds--to account for operations that are financed and operated in a manner similar to private business enterprises--where the stated intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

NOTES TO FINANCIAL STATEMENTS

December 31, 2009

3. BUDGETARY INFORMATION

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), debt service funds, and enterprise funds. The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5th.
3. Public hearing on or before August 15th, but at least ten days after publication on notice of hearing.
4. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. The 2009 budget was not amended.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using a modified cash basis of accounting. Revenues are recognized when cash is received. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. All unencumbered appropriations (legal budget expenditure authority) lapse at year-end.

A legal operating budget is not required for the capital improvement fund, capital project funds and enterprise bond reserve accounts.

Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

4. DEPOSITS AND INVESTMENTS

K.S.A. 9-1401 establishes the depositories which may be used by the City. The statute requires banks eligible to hold the City's funds have a main or branch bank in the county in which the City is located and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The City has no investment policy that would further limit interest rate risk.

NOTES TO FINANCIAL STATEMENTS

December 31, 2009

4. DEPOSITS AND INVESTMENTS (Continued)

K.S.A. 12-1675 limits the City's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The City has no investment policy that would further limit its investment choices. As of December 31, 2009, the City's investments included only bank deposits with a fair value of \$22,067, which are not subject to investment rating.

Concentration of Credit Risk

State statutes place no limit on the amount the City may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require the City's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The City has not designated peak periods. All deposits were legally secured at December 31, 2009.

At December 31, 2009, the carrying amount of the City's deposits, including component units, was \$72,978. The bank balance totaled \$84,018. The balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, all was covered by FDIC insurance.

Composition of Cash and Investments

The cash balance consisted of the following at December 31, 2009:

	Primary Government	Component Unit	Total
Amount on deposit with financial institutions			
Checking and money market accounts	\$ 47,008	3,903	50,911
Time deposits	22,067	-	22,067
	<u>\$ 69,075</u>	<u>3,903</u>	<u>72,978</u>

5. COMPLIANCE WITH KANSAS STATUTES

Management is not aware of any statutory violation incurred in the year ended December 31, 2009.

City of Walton, Kansas

NOTES TO FINANCIAL STATEMENTS

December 31, 2009

6. LONG-TERM DEBT

Changes in the long-term liabilities for the City for the year ended December 31, 2009 were as follows:

Issue	Interest Rates	Date of Issue	Amount of Issue	Maturity Date	Balance 12/31/08	Additions	Deletions	Balance 12/31/09	Interest Paid
General Obligation Bonds, Series 1998 Sewer	4.75%	10/05/98	299,000	10/05/38	\$ 264,420	-	4,200	260,220	12,559
Capital Lease Obligations									
Vehicle	6.00%	10/01/07	14,950	10/01/11	10,956	-	3,656	7,300	557
Equipment	6.00%	03/20/07	2,899	03/20/10	1,054	-	1,023	31	35
					<u>\$ 276,430</u>	<u>-</u>	<u>8,879</u>	<u>267,551</u>	<u>13,151</u>

Current maturities of long-term debt and interest through maturity are as follows:

	Year ending December 31							Total
	2010	2011	2012	2013	2014	2015-2019	2020-Mat.	
Principal								
General obligation bonds	\$ 4,400	4,600	4,800	5,000	5,300	30,500	205,620	260,220
Capital leases payable	<u>3,912</u>	<u>3,419</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,331</u>
Total principal	<u>\$ 8,312</u>	<u>8,019</u>	<u>4,800</u>	<u>5,000</u>	<u>5,300</u>	<u>30,500</u>	<u>205,620</u>	<u>267,551</u>
Interest								
General obligation bonds	\$ 12,455	12,246	12,027	11,799	11,562	53,794	112,115	225,998
Capital leases payable	<u>335</u>	<u>95</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>430</u>
Total interest	<u>\$ 12,790</u>	<u>12,341</u>	<u>12,027</u>	<u>11,799</u>	<u>11,562</u>	<u>53,794</u>	<u>112,115</u>	<u>226,428</u>

7. DEFINED BENEFIT PENSION PLAN

Plan Description

The City of Walton participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et seq. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S. Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

Funding Policy

K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% of covered salary. The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. State law sets a limitation on annual increases in the contribution rates for KPERS employers. The employer rate established by statute was 6.54% at December 31, 2009. The City of Walton contributions to KPERS for the years ending December 31, 2008 and 2009 were equal to the statutory required contributions for each year.

NOTES TO FINANCIAL STATEMENTS

December 31, 2009

8. COMPENSATED ABSENCES

Full-time employees accrue vacation and sick leave benefits based on years of service to the City. Upon termination, unused vacation is paid to employees while accrued sick leave is not.

No provision for the liability which has accrued on the compensated absences described above has been included in the accompanying financial statements.

9. INTERFUND TRANSFERS

Operating transfers were as follows:

	<u>Transfers From</u>		
	<u>General</u>	<u>Sewer</u>	<u>Total</u>
<u>Transfers To</u>			
Special street and highway	\$ 5,000	-	5,000
Bond and interest	-	11,520	11,520
	<u>\$ 5,000</u>	<u>11,520</u>	<u>16,520</u>

10. SUBSEQUENT EVENTS

Management has performed an analysis of the activities and transactions subsequent to December 31, 2009, to determine the need for any adjustments to and/or disclosures within the audited financial statements. Management has performed their analysis through August 31, 2010, which is the date at which the financial statements were available to be issued.